

Jeremiah W. (Jay) Nixon
Governor
State of Missouri



Department of Insurance
Financial Institutions
and Professional Registration

DIVISION OF FINANCE

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January 14, 2009

The Honorable Jeremiah W. (Jay) Nixon, Governor
State Capitol Building
Room 216
Jefferson City, Missouri 65101

Re: Report to General Assembly pursuant to section 408.506 RSMo

Dear Governor Nixon:

The Division of Finance has, in accordance with section 408.506 RSMo, conducted a survey by mail of payday lenders operating pursuant to section 408.500. The reporting timeframe was October 1, 2007 through September 30, 2008. The summary is based on a 95.4% return of surveys by the industry. The attached chart (Exhibit A) details the results of the survey and also provides historical data for comparison. Some highlights include:

- 1,315 payday loan licenses were issued during calendar year 2008. Lenders closed and opened locations throughout the year with 1,275 being the approximate average number active at any given time.
- The total number of payday loans made during the reporting period exceeded 2.83 million. (For purposes of this survey, a renewal was treated as a separate loan.)
- The average loan was \$290.29 and the average interest rate was 430.68%. This would result in an interest/fee of \$47.95 for a 14-day loan.

During the reporting period, there were approximately 10 calls per day to this office about payday loans or payday lenders. Most of the calls from citizens were resolved by explaining the law. Other complaints involved areas such as checks being deposited early, collection tactics, proper crediting of payments, customers being unable to make payments due to the location being closed, and internet lenders. Most cases were resolved by telephone with the licensee.

The Honorable Jeremiah W. (Jay) Nixon, Governor
Report to General Assembly pursuant to section 408.506 RSMo
January 14, 2009
Page 2

The Division of Finance continues to perform examinations of all payday lenders and overall compliance with current statutes continues to be monitored. During 2008, 95.4% of the licensees examined received a satisfactory compliance evaluation. Refunds totaling over \$319,700 were ordered. Cease and desist orders were issued in instances of serious non-compliance. During 2008, there were seven such orders issued, as well as two fines of \$5,000 each. There also was one case referred to the Attorney General for resolution.

As section 408.506 RSMo also requires the Division to summarize the payday loan laws from contiguous states, we conducted a survey of such states' laws. The results may be found in Exhibit B attached.

We believe the foregoing satisfies the requirements of section 408.506 RSMo.

Very truly yours,

A handwritten signature in black ink, appearing to read "Richard Weaver".

Richard Weaver
Deputy Commissioner of Finance

Enclosures (2)

EXHIBIT A

Payday Lender General Assembly Report

	January 2003	January 2005	January 2007	January 2009
Number of Licenses Issued	912	1,198	1,545	1315
% Change from previous	N/A	31.00%	29.00%	-15.00%
Number of Active Licenses (approx)	800	1100	1262	1275
% Change from previous	N/A	37.50%	14.70%	1.03%
Number of Loans Made	2 million	2.6 million	2.87 million	2.83 million
% Change from previous	N/A	30.00%	11.00%	-1.40%
Average Loan Amount	\$222.05	\$241.11	\$274.72	\$290.29
Average Number of Renewals	2.8	2.2	1.7	1.7
Defaulted Loans	124,461	140,337	183,363	172,954
% of Total Loans Made	6.15%	5.40%	6.40%	6.12%
Average Annual Percentage Rate (APR)	413.48	408.03	422.26	430.68

EXHIBIT B

PAYDAY LOANS IN CONTIGUOUS STATES

	Licenses	Maximum Loan	Rate / Fees	Term	Renewals	Complaints
Missouri	1,261	\$500	A loan and all renewals thereof may not earn more than 75% of the original principal in interest and fees.	14 day minimum 31 day maximum	Limited to 6	Occasionally Received
Arkansas	169 deferred presentment licensees	\$400	10% of the check + \$10	6 day minimum 31 day maximum	Forbidden	Rare
Kansas	447	\$500	15% of the loan amount	7 day minimum 30 day maximum	Forbidden	Rare
Iowa	273	\$500	\$15 on the first \$100 and \$10/\$100 thereafter	Minimum 1 day Maximum 31 days	Forbidden	Rare
Tennessee	1,481	\$500	\$15% of the check, with maximum \$30	No minimum but 31 day maximum	Forbidden	18 in 2008
Kentucky	785	\$500	\$15 per hundred	14 days	Forbidden	Rare
Nebraska	138; with branches, 218	\$500	\$15 per \$100	No minimum but a 34 day maximum	Forbidden	Rare
Illinois	500	N/A	\$15.50 per \$100	120 days max	Forbidden	Rare
Oklahoma	396	\$500	\$15 per \$100 loaned for the first \$300; \$10 per \$100 for amounts in excess of \$300	Minimum 12 days Maximum 45 days	Forbidden	Occasionally Received